Business Wire
The Global Leader in News Distribution

Blue Chip Client Wins Highlight Performics Five-Year Anniversary

Business Editors. **Business Wire**. New York: Aug 12, 2003. pg. 1

» **Jump to full text**

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Abstract (Article Summary)

Performics acquires customers for leading multi-channel marketers with performance-based online marketing services. Performics provides comprehensive distribution through affiliate marketing, search engine marketing and permission-based e-mail programs. The company offers a distinctive mix of active account management, advanced market expertise and real-time tracking and reporting technology. Performics develops and implements customized programs that enable clients to acquire and reacquire online customers while only paying when a sale or action occurs. Performics' interests are squarely aligned financially and strategically with both its marketers and its distribution partners.

Most recently, new client wins and successful marketing campaigns have highlighted the list of Performics' accomplishments. This year, Performics has inked deals to begin online marketing programs for such leading marketers as Fossil, Harry and David, Household Financial, HP Shopping, L.L. Bean, Motorola, Norm Thompson, and Restoration Hardware. Over the years, Performics has set itself apart from most **Internet** companies by building a successful track record of industry accomplishments.

Full Text (605 words)

CHICAGO--(BUSINESS WIRE)--Aug. 12, 2003--

Sound business principles, fast growing sector and

performance-based pricing helped online marketing firm

defy odds in a challenging environment

Performics, a performance-based online marketing services company, today celebrated its five-year anniversary by announcing several new client wins.

"As a company, we constantly look ahead to stay at the forefront of this dynamic industry, but sometimes people need to stop, reflect and celebrate. Today is one of those times," said **James Crouthamel,** Performics founder, president and CEO. "Performics has helped create a new standard in online marketing due, in large part, to our exceptional staff and valued clients. Performics has generated significant revenue growth year after year by attracting new clients and adding new marketing programs while holding ourselves accountable to deliver results."

Most recently, new client wins and successful marketing campaigns have highlighted the list of Performics' accomplishments. This year, Performics has inked deals to begin online marketing programs for such leading marketers as Fossil, Harry and David, Household Financial, HP Shopping, L.L. Bean, Motorola, Norm Thompson, and Restoration Hardware. Over the years, Performics has set itself apart from most **Internet** companies by building a successful track record of industry accomplishments.

Select highlights of Performics' first five years include:

-- In August 1998, Performics opened its doors as an affiliate

marketing company backed by several Chicago-based investors.

-- In August 2000, Performics began offering performance-based

search engine marketing and became the first major affiliate

marketing network to buy search media from such leading

providers as Google and Overture on behalf of its clients.

Performics remains the only major affiliate network to manage

search marketing programs with any scale, designing and

executing more than 80 search marketing programs for clients

today.

-- Since Q4 2001, Performics has generated seven consecutive

profitable quarters.

-- In 2002, Performics generated more than 4 million e-commerce

transactions for its retail, catalog and other direct

marketing clients, up from 1.8 million in 2001.

-- In 2002, Performics added 63 new performance-based online

marketing programs and increased staff by more than 20

percent.

-- Today, Performics has more than 90 employees, a client roster

of more than 180 top-tier marketers, and headquarters in

Chicago with offices in New York and California.

"Our growth has been spurred by three primary factors: new account acquisition, growth of existing client programs and accountability for marketing results," added Crouthamel. "Performics has aligned its interests with clients from day one by delivering performance-based customer acquisition programs where clients only pay when a sale or action is generated. Clients have responded positively to this model."

Performics anticipates more successful years to come, because leading multi-channel marketers are growing ever more aware of their need to market products online. Affiliate marketing has long been a core strategy of online merchants, and industry eyes are focused on search engine marketing today more than ever. The channel has produced rapid growth over recent years, and the industry anticipates more of the same.

About Performics

Performics acquires customers for leading multi-channel marketers with performance-based online marketing services. Performics provides comprehensive distribution through affiliate marketing, search engine marketing and permission-based e-mail programs. The company offers a distinctive mix of active account management, advanced market expertise and real-time tracking and reporting technology. Performics develops and implements customized programs that enable clients to acquire and reacquire online customers while only paying when a sale or action occurs. Performics' interests are squarely aligned financially and strategically with both its marketers and its distribution partners.

Performics' clients include: America Online, Blair Corp., Bose, CompUSA, Eddie Bauer, Kohl's, PC Connection, RedEnvelope, Verizon Wireless, and more than 180 others. For additional information, please visit www.performics.com.

Start-up aims to maximize Internet marketing potential Companies don't pay unless their Web advertising does:[LATE SPORTS FINAL Edition]

HOWARD WOLINSKY. **Chicago Sun - Times**. Chicago, Ill.: Sep 28, 2000. pg. 57

» **Jump to full text**

Subjects:	Startups, Online advertising
Classification Codes	9190 United States, 8331 Internet services industry, 7200 Advertising
Locations:	Chicago Illinois
Companies:	Dynamic Trade Inc (NAICS: 541810 , 514210)
Author(s):	HOWARD WOLINSKY
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Publication title:	Chicago Sun - Times. Chicago, Ill.: Sep 28, 2000. pg. 57
Source Type:	Newspaper
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Abstract (Article Summary)

Dynamic Trade's clients include Spiegel, Eddie Bauer, Discover Card, Neiman Marcus, Orvis, Bose, Jos. A. Bank, Time Inc. and Hammacher Schlemmer.

Rich Burke, divisional vice president at Spiegel E-commerce, the Downers Grove catalog's online group, said he was skeptical at first about Dynamic Trade's ability to find sites well-suited for Spiegel. But he said the sites Dynamic Trade found were good fits with the Spiegel brand and the customers it is going after.

Dynamic Trade linked Spiegel with such popular Web sites as iWon.com, the Web portal; Look Smart, the search engine; GreaterGood.com, the charity site, and eBates, the rebate site.

Full Text (434 words)

Advertisers have thrown millions of dollars down the black hole on banner ads for Web sites that reached the wrong audience, no audience or failed to bring sales.

Dynamic Trade Inc., a Chicago start-up, has a different idea. It's called performance marketing: After paying a flat

$5,000 set-up fee, advertisers pay only if the Web sites deliver sales, new customers or leads.

"With the vastness of the **Internet**, it has become increasingly difficult to ensure marketing messages are reaching the target audience," said **James Crouthamel**, 35, president and chief executive officer of Dynamic Trade.

Forrester Research in Cambridge, Mass., expects performance marketing to drive **Internet** advertising growth. It projects that performance marketing will grow from $4.2 million, or 15 percent of online advertising, in 1999 to $11.7 billion, or 53 percent, in 2004 in the United States.

"Marketers will insist on performance deals," said Forrester analyst Charlene Li.

Based on demographics, Dynamic Trade matches 80 advertisers with a network of more than 500 select Web sites.

And Dynamic Trade receives a percentage of revenues based on actual sales or on the basis of the number of leads generated or the number of new customers.

Crouthamel, who has a mechanical engineering degree from Philadelphia's Drexel University and a management degree from Northwestern University's J.L. Kellogg Graduate School of Management, began working on the Web in 1996 with FastParts, the pioneering Chicago online business-to-business "pay-for-performance" auction service for computer parts.

While chief operating officer at FastParts, he got the idea of creating an online marketing company. He started out with tech companies, but consumer marketers became his focus.

Dynamic Trade's clients include Spiegel, Eddie Bauer, Discover Card, Neiman Marcus, Orvis, Bose, Jos. A. Bank, Time Inc. and Hammacher Schlemmer.

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"Dynamic Trade has had a significant impact on sales," Burke said, noting Dynamic Trade's efforts boosted online sales 10 percent since January.

Dynamic Trade has raised $9 million in venture funding, with backing from Tribune Ventures, Portage Ventures' Graystone Venture Fund and KB Partners.

"The **Internet** was an unknown medium," said Crouthamel. "The experiment is over."

[Illustration]
James Crouthamel says performance-based marketing is the future of **Internet** advertising.

CRAIN'S

Dynamic: No sale, no reward for click

Alby F Gallun. **Crain's Chicago Business**. Chicago: Sep 25, 2000. Vol. 23, Iss. 40; pg. 77

» Jump to full text

Subjects:	Online advertising, Online sales, Trends, Performance standards
Classification Codes	9190 United States, 8390 Retailing industry, 7200 Advertising, 8331 Internet services industry
Locations:	Chicago Illinois
Companies:	Dynamic Trade Inc (NAICS: 541810 , 514210)
Author(s):	Alby F Gallun
Article types:	News
Publication title:	Crain's Chicago Business. Chicago: Sep 25, 2000. Vol. 23, Iss. 40; pg. 77
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ISSN/ISBN:	01496956
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Full Text (419 words)

A Chicago-based **Internet** marketing company is tapping into the growing discontent of online merchants fed up with low returns on **Internet** advertising.

Dynamic Trade Inc. aims to capitalize on the trend toward performance-based advertising programs in which advertisers pay for ads on Web sites only if they generate sales. Since its founding in 1998, Dynamic Trade has set up such programs for companies like Eddie Bauer Inc., Discover Financial Services and Orvis Co.

Like a traditional media buyer, Dynamic Trade places ads for clients on Web sites frequented by customers that the clients want to reach. While most advertisers typically pay a graduated fee based on the Web site's traffic, Dynamic Trade's clients pay only if the site generates a sale.

For instance, if a visitor to BizRate.com clicks on an ad for eddiebauer.com and buys a shirt on the Web site, both BizRate.com and Dynamic Trade will get a cut of the sale.

Dynamic Trade faces a challenge convincing Web site operators accustomed to collecting a fee for every Web surfer who visits their sites that they should be paid only when the advertiser makes a sale. But CFO **James**

Crouthamel says advertisers dissatisfied with the current system will eventually force Web sites to accept pay-forperformance programs.

"We're starting to see a huge wave of the dollars trying to go through this channel," he says.

Massachusetts-based Forrester Research Inc. predicts that performance-based advertising will account for 53% of $22 billion in projected U.S. online marketing spending by 2004, up from 15% of an estimated $2.8 billion in 1999.

Unlike a typical affiliate marketing program, which links up with a broad range of Web sites, Dynamic Trade takes a more targeted approach, which is good for advertisers worried aboutt diluting their brands, says Jodi Watson, senior marketing manager at eddiebauer.com.

"Being on thousands of sites was not our goal," she says. "We really like to have our partners measured by the value that they're bringing."

The retailer projected that sales generated by Dynamic Trade would account for about 5% to 10% of its total sales, a projection Dynamic Trade is exceeding, Ms. Watson says.

Dynamic Trade employs about 50 people, up from 15 at the beginning of the year, Mr. Crouthamel says. He declined to disclose sales.

Earlier this month, Dynamic Trade landed $7 million in a second round of venture capital financing led by Chicagobased Tribune Ventures, Tribune Co.'s venture capital arm. The investor group also includes Northbrook-based KB Partners LLC and Northfield-based Portage Venture's Greystone Venture Fund.

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Marketers Struggle to Achieve ROI on `Affiliate Marketing' Programs; Dynamic Trade Brings Marketers to Next Level

Business Editors, Technology & Marketing Writers. **Business Wire**. New York: Jan 31, 2000. pg. 1

» Jump to full text

People:	Schripsema, Jack
Author(s):	Business Editors, Technology & Marketing Writers
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Abstract (Article Summary)

(BUSINESS WIRE)--Jan. 31, 2000--Dynamic Trade Inc. announces an improved approach to developing affiliate marketing programs and is already helping online marketers move toward more profitable `pay-for-performance' partnerships. The company is first to help marketers use performance marketing programs to fix customer/ order acquisition costs and boost sales - all without adding additional personnel. By allowing for a complete outsourcing of advanced technology and enhanced support services, Dynamic Trade acts as an extension to its customer's e-commerce team - filling a clear void created by `technology-centric' providers in the affiliate marketing space. Further, through its service-centric approach, the company is first to help marketers move beyond affiliate marketing by helping them focus on securing highly targeted, more productive performance-driven partnerships.

As noted by Forrester Research in its October, 1999 report, "New Affiliate Marketing Models," marketers are struggling to create profitable affiliate channels - largely due to the many administrative and operational challenges involved in managing thousands of relationships. Keying on this need, Dynamic Trade offers the industry's first full-service e-marketing package that proactively builds and maintains performance marketing channels. Moving beyond requisite tracking and reporting technology, Dynamic Trade delivers services in vital areas:

Full Text (998 words)

CHICAGO--(BUSINESS WIRE)--Jan. 31, 2000--Dynamic Trade Inc. announces an improved approach to developing affiliate marketing programs and is already helping online marketers move toward more profitable `pay-for-performance' partnerships. The company is first to help marketers use performance marketing programs to fix customer/ order acquisition costs and boost sales - all without adding additional personnel. By allowing for a complete outsourcing of advanced technology and enhanced support services, Dynamic Trade acts as an extension to its customer's e-commerce team - filling a clear void created by `technology-centric' providers in the affiliate marketing space. Further, through its service-centric approach, the company is first to help marketers move beyond affiliate marketing by helping them focus on securing highly targeted, more productive performance-driven partnerships.

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[Table]

```
   --   Network Services: Dynamic Trade's dedicated staff provides
   marketers with a focused approach to explore, target and
```

negotiate partnerships; plus, the company offers operational

support services including affiliate tech support,

communications, and payment services - all geared to help

marketers cope with administrative concerns and drive promotions

through affiliate channels.

[Table]

```
   --   Advanced Technology: Dynamic Trade's ConnectCommerce(TM)
```

provides

sophisticated technology that delivers Web-based tracking and

reporting, mass and targeted network message updates, automated

and simultaneous product updates, as well as a host of other

features.

"Theoretically, the `associate with many' concept behind affiliate programs is a sound one," says Dynamic Trade president and founder, **James Crouthamel**. "In practice, however, marketers are making two mistakes - under-investing in channel development and management, as well as taking an overly quantitative approach to affiliation. Our business development and operational support services provide marketers with a rapid, cost-effective means to take action on both issues."

Dynamic Trade's service philosophy is tied directly to the fact that a majority of affiliate network vendors supply good technology solutions, but they fall short in helping marketers to 1) correctly qualify and target partnerships; and 2) fully develop and manage these relationships. Inherently, Dynamic Trade provides deeper and more profitable ties with a focused group of content, community, incentive, loyalty and affinity-oriented **Internet** properties, such as Womenconnect.com, Give2schools.com, and MyPoints.com. Many of these properties are eager to provide shopping opportunities to their visitors or members via performance-based, revenue sharing relationships with marketers.

"Our affiliate program has exceeded our expectations to date," says Karen Gilliland, Director of Electronic Commerce at Hammacher Schlemmer. "We are confident that our relationship with Dynamic Trade will allow us to meet our objectives by focusing on affiliates that best fit our profile."

"While some marketers are striving to increase their sheer quantity of affiliate relationships, Dynamic Trade has emerged with a quality-focused approach that challenges the fundamental concept underlying most affiliate programs - the notion that connecting to tens of thousands of smaller Web sites is the true metric for success," says Derek Schwitters, manager of affiliate relations for Seattle-based greatfood.com. "We find a focused affiliate networking approach to be much more profitable in terms of increasing sales and securing new customers."

Affiliates are also pleased with Dynamic Trade's highly focused and hi-touch approach. "The technology and marketing challenges involved in connecting Quixtar Partner Stores with our **Internet**- based business are significant," says Jack Schripsema, Partner Store Manager for Quixtar.com, one of the most successful shopping sites on the **Internet**. "In order to provide our affiliated Independent Business Owners (IBOs) with their monthly bonus checks, we require Quixtar's Partner Stores to track purchases made using the identification numbers we've provided to each of our IBOs, Members and Clients - not to mention our EDI-based reporting requirements on the back end," adds Schripsema. "Most of our Partner Stores are not ready to tackle such challenges on their own, nor are they able to commit the resources necessary to track the merchandise they sell through Quixtar. We have found that Dynamic Trade has helped our Partner Stores overcome many of these obstacles and achieve remarkable results."

Marketers have much more to gain through an aggressive, yet selective approach to partnering. This type of strategy requires more than reliable, scaleable tracking and reporting technology. It demands a team of experienced professionals who provide value to marketers as well as affiliate partners, and this is what Dynamic Trade provides - technology, services, and focused expertise on an outsourced, pay-for-performance basis.

About Dynamic Trade Inc.

Since 1998, Dynamic Trade Inc., (http://www.dynamictrade.com) has become a leading provider of performance-based marketing programs, including affiliate networks. The Chicago-based company helps e- marketers increase sales and simultaneously reduce customer acquisition and retention costs by facilitating revenue-share relationships with the **Internet's** most productive properties in the content, community and shopping aggregation categories. By offering online marketers a full-service solution suite based on advanced technology, enhanced service and market focus, the company is first to present online marketers with a complete outsourced solution for developing, managing and exploiting productive e-commerce partnerships. Uniquely, Dynamic Trade profits only from the success of the alliances that it creates and manages.

James Crouthamel, founder and president, is leading Dynamic Trade's aggressive market approach. Crouthamel is formerly of FastParts, the first **Internet**-based business-to-business `pay-for- performance' auction service which was chosen by Upside Magazine as one of its "Hot 100" private companies for 1997. Dynamic Trade is backed by several organizations from Chicago's investment community, including Graystone Venture Partners and KB Partners, and Bluemenstein Thorne Information Partners.

Dynamic Trade provides performance-based marketing programs to Hammacher Schlemmer, Neimen Marcus, Orvis, Spiegel, The Bradford Exchange, greatfood.com, Lionel, Foster & Gallagher, J.C. Whitney, Magellan's, AtYourOffice.com, and many others.

Marketers seeking productive and profitable performance-based programs may obtain more information about Dynamic Trade at http:// www.dynamictrade.com or by calling (312) 644-6515.

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1. **Blue Chip Client Wins Highlight Performics Five-Year Anniversary**
Business Editors. **Business Wire.** New York: Aug 12, 2003. p. 1
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2. **Online Marketing Service Providers Announce Web Publisher Code of Conduct; Code to Establish Fair Business Practices in Pay-for- Performance Advertising**
Business Editors. **Business Wire.** New York: Dec 10, 2002. p. 1
Full text | Abstract

3. **Not all area dot-coms extinct**
Howard Wolinsky. **Chicago Sun - Times.** Chicago, Ill.: Dec 9, 2002. p. 53
Full text | Abstract

4. **A new Net ad model**
Julie Johnsson. **Crain's Chicago Business.** Chicago: Nov 19, 2001. Vol. 24, Iss. 47; p. 4
Full text | Citation

5. **Visionaries to Debate the Future of Technology in the Midwest at the Illinois Annual Technology Conference**
PR Newswire. New York: Apr 4, 2001. p. 1
Full text | Abstract

6. **Start-up aims to maximize Internet marketing potential Companies don't pay unless their Web advertising does**
HOWARD WOLINSKY. **Chicago Sun - Times.** Chicago, Ill.: Sep 28, 2000. p. 57
Full text | Abstract

7. **Dynamic: No sale, no reward for click**
Alby F Gallun. **Crain's Chicago Business.** Chicago: Sep 25, 2000. Vol. 23, Iss. 40; p. 77
Full text | Citation

8. **Fragrance Direct Launches Affiliate and Partner Marketing Programs Offering one of the Largest Selections and Best Prices For Fragrance on the Internet**
PR Newswire. New York: Jul 13, 2000. p. 1
Full text | Abstract

9. **Understanding Frederick Douglass: Toward a new synthesis approach to the birth of modern**

American journalism
David T Z Mindich. **Journalism History.** Northridge: Spring 2000. Vol. 26, Iss. 1; p. 15 (8 pages)

Text+Graphics Page Image - PDF Abstract

10. Dynamic Trade Teams with CompuBank for First Electronic Payment Services for Performance-Based Affiliate Marketing Programs
PR Newswire. New York: Feb 24, 2000. p. 1

Full text Abstract

11. Marketers Struggle to Achieve ROI on `Affiliate Marketing' Programs; Dynamic Trade Brings Marketers to Next Level
Business Editors, Technology & Marketing Writers. **Business Wire.** New York: Jan 31, 2000. p. 1

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Procurement Place

How to Register to Do Business with the Federal Government

Registration is conducted electronically via EDI. No paper forms are involved. You can register after you have become EDI capable either through a VAN or VAS, which are described in a separate section. You need to register so that the Government will know who you are and will be able to accept bids from you.

Purpose of Registration

The purpose of contractor registration is to inform the Government that you are ready to do business with the entire Government using EDI. The registration process also provides the Government with the necessary information for the Government to send you EDI solicitation documents, such as request for quote documents. It is thus the first step in establishing a Trading Partner relationship with the Government.

Benefits of Central Contractor Registration

Contractor registration enables you to register once, using a single method, to do business with the Government. It also enables the Government to collect contractor information in a standardized and centralized way that eliminates duplication and inefficiency.

What Kind of Information You Should Provide

The Government contracting community needs information that is useful and accurate. They also need the same kind of information about each Trading Partner. The Government must know who you are and where you are located. Each Trading Partner will be assigned a distinctive identification number.

The information required of Trading Partners is:

- Company

Learning About Business
- Starting
- Growing
- Expanding
- Charted Courses
- Personal Tours
- Welfare To Work
- Success Stories

Running Your Business
- Management
- Finance
- Marketing
- Technology
- Procurement

Information Exchange
- Discussions
- Events
- Ask an Expert

Resources
- Resource Database
- Español
- Women's Business Centers
- Frequently Asked Questions
- Internet Sites

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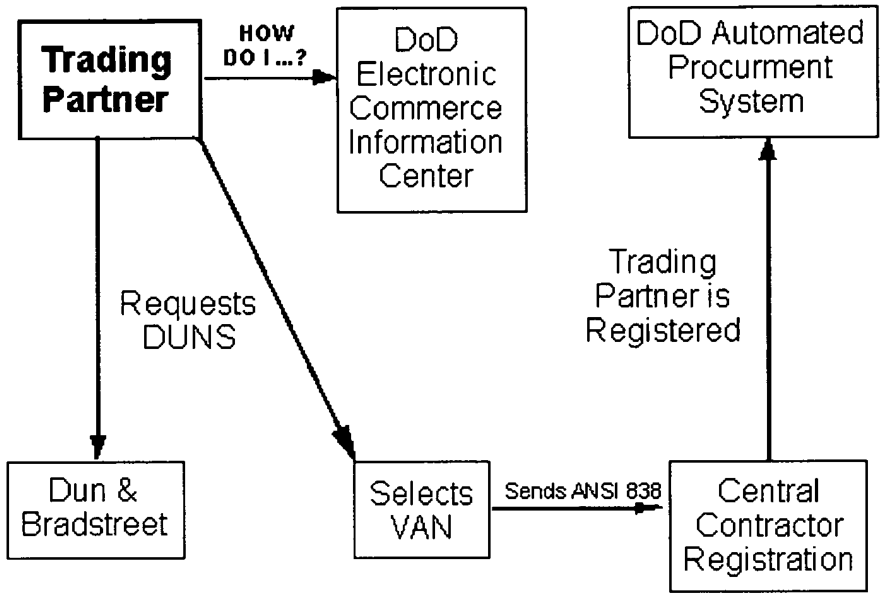
- Address
- General point of contact for information (name, phone, fax, e-mail)
- EDI point of contact
- Contractor Identification Numbers
- Commercial and Government Entity (CAGE) Code
- Taxpayer Identification Number (TIN)
- Data Universal Numbering System (DUNS)
- Standard Industrial Classifications (SIC)
- EDI and address (if you are already doing EDI)

The Department of Defense DoD infrastructure supports several versions of the ANSI X12 standard, the uniform coding system used in EDI. In addition to the previously listed information, you will have to indicate which version of the ANSI Standards your company intends to use.

Your Contractor Identification Number
As a part of Central Contractor Registration, a contractor will be required to provide the following information.

1. The Taxpayer Identifying Number (TIN) was developed by the Internal Revenue Service (IRS) and is required by the Code of Federal Regulation, subsection 301.6109.1. The TIN consists of two types of identifying numbers: social security numbers and employer identification numbers. For information on obtaining a TIN, call the IRS at (800) 829-1040.
2. The Data Universal Numbering System (DUNS) was developed by Dun and Bradstreet Corporation in 1962 to identify businesses in its automated files. There are approximately 11 million numbers issued to active domestic firms. For information on obtaining a DUNS number, call the Dun and Bradstreet offices at (800) 333-0505.
3. Regardless of the type or size of business, Standard Industrial Classification (SIC) Codes are required when registering to do business. SIC codes are listed in the Federal Acquisition Regulation (Part 19) or can be obtained from the Small Business Administration at (800) 827-5722.

EC/EDI Registration Process
The following illustration shows how you can register, starting with a phone call to the EC Information Center.



Checklist for the Registration Process

1. Familiarize yourself with Contractor Registration Instructions described previously.
2. If you do not already have a DUNS number, Call Dun & Bradstreet at (800) 333-0505 and apply for a DUNS number. Dun & Bradstreet can generally assign you a DUNS number over the phone. You will need to provide the following information: name of company, address, phone number, line of business, owner, date company established, and the number of employees.
3. If you do not already have a Tax Identification Number (TIN), call the Internal Revenue Service at (800) 829-1040 to obtain one.
4. Subscribe to a DoD certified Value-Added Network (VAN). For a current list, contact the DoD EC Information center or an Electronic Commerce Resource Center (ECRC).
5. Purchase DoD-tested-EDI-translation software, if not provided by your VAN. Note that if you don't use pre-tested software, you will have to go through compliance testing
6. Identify Federal Stock Class (FSC) and Standard Industrial Classifications (SIC codes) that apply to your business.
7. Create and send an ANSI X12 838 (Trading Partner Profile), 3040 Version transaction set via a DoD-certified VAN to the Central Contractor Registration (CCR) in Columbus, Ohio. (See diagram above.) This 838 transaction set should be in compliance with the Federal 838 implementation convention for the 3040 version. The 838 transaction set provides a paperless alternative to the SF 129, solicitation mailing list application, and other registration forms. If you cannot send the 838 transaction set, the EC Information Center will notify the caller where to obtain the transaction set to properly initiate electronic registration as a Trading Partner.

8. Receive a 997 functional acknowledgment from the CCR.
9. Receive an 838C Trading Partner Profile confirmation from the CCR, and the assignment for a unique Trading Partner Identification Number (TPIN).
10. If you are a woman or a minority, be sure to discover what method of certification is needed.

NOTE: If not using EDI with the Federal Government, contact the **EC Information Center, (800) 334-3414** for alternative methods of registration.

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All sources | Scholarly Journals | Trade Publications | Newspapers

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1. **Quote.com Takes Active Trading Market by Storm with Preferred Interactive Alliance; Preferred Trade to Bring Real-Time Order Execution to QCharts**
   Business Editors/High-Tech Writers. **Business Wire.** New York: Jul 1, 1999. p. 1
   Full text | Abstract

2. **Quote.com Takes Active Trading Market by Storm With Preferred Interactive Alliance**
   PR Newswire. New York: Jul 1, 1999. p. 1
   Full text | Abstract

3. **Devils get their due Brand leads Duke parade in NBA Draft; [FINAL Edition]**
   David Jones. **The Patriot - News.** Harrisburg, Pa.: Jul 1, 1999. p. C.01
   Full text | Abstract

4. **Time to step up marketing push**
   Shawn Willett. **Computer Reseller News.** Jun 14, 1999. p. 42 (1 page)
   Full text | Page Image - PDF | Abstract

5. **DTN and Preferred Interactive Alliance Creates New Internet Trading Service**
   PR Newswire. New York: Jun 7, 1999. p. 1
   Full text | Abstract

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Do you see what I see? The future of virtual shopping

Raymond R Burke. Academy of Marketing Science. Journal. Greenvale: Fall 1997. Vol. 25, Iss. 4; pg. 352, 9 pgs

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Abstract (Article Summary)

The **Internet** has generated a tremendous level of excitement. High-technology stocks are have soared on investors' expectations of the creation of new wealth and the transformation of existing businesses. Some of the most sensational predictions have been made with regard to electronic commerce. However, the **Internet** is only one of many tools available to manufacturers and retailers for advertising, selling, and distributing their products to customers. Marketers are most likely to use the **Internet** in cases where its unique characteristics make it a viable and attractive substitute for the functions of traditional channel intermediaries. Because of its ability to transform information quickly and inexpensively, the **Internet** will have the greatest impact on **marketing** communications, a moderate effect on sales transactions, and a minimal impact on logistics. The reasons why it has been so difficult to forecast the impact of new communication technologies on retailing are explored. The ways in which existing retailers might respond to this new technology are discussed.

Full Text (7317 words)

New technologies captivate our imaginations. We have seen a breathtaking stream of innovations-solar cells, nuclear fusion, biotechnology, genetic engineering, artificial intelligence, robotics, space travel, virtual reality, and many others-all promising to transform our lives. For better or worse, the actual impact of these innovations is often much less (and takes much longer) than what we expected. In some cases, unforeseen technical problems have stalled the development process, blocking an innovation's move from the laboratory into the marketplace. In others, consumers have resisted change, instead choosing to maintain the status quo. Existing technologies have also continued to evolve, making it unnecessary to switch to something new.

In recent years, the **Internet** has generated a tremendous level of excitement. Business magazines are filled with articles describing how life will be different in a digital age. High-technology stocks have soared on investors' expectations of the creation of new wealth and the transformation of existing businesses. Some of the most sensational predictions have been made with regard to electronic commerce. Maurice Saatchi, a prominent figure in the advertising industry, forecast that in 40 years, electronic retailing will eliminate the need for physical stores (Cope 1996:18). Andersen Consulting predicted that in the next decade, 20 percent of supermarket shopping will be conducted through nonstore electronic channels (McGrath 1994). Negroponte (1995) argued that, as a consequence of electronic distribution, "videocassette-rental stores will go out of business in less than ten years" (p. 173). And Jupiter Communications, a New York market research firm, estimated that interactive home shopping would expand to $82.35 billion by the year 2003 (Conway 1994:26).

What is the future of virtual shopping on the **Internet**? Will it displace existing retail formats or serve as a natural complement to current **marketing** practices? Peterson, Balasubramanian, and Bronnenberg (1997 [this issue]) address this issue in their thoughtful and detailed analysis of the impact of the **Internet** on consumer **marketing**. They contend that many predictions regarding the future role of the **Internet** are overstated because they fail to consider the complexity and heterogeneity of consumer markets. The **Internet** is only one of many tools available to manufacturers and retailers for advertising, selling, and distributing their products to customers. Marketers are most likely to use the **Internet** in cases where its unique characteristics make it a viable and attractive substitute for the functions of traditional channel intermediaries. Because of its ability to transmit information quickly and inexpensively, the **Internet** will have the greatest impact on **marketing** communications, a moderate effect on sales transactions, and (with the exception of information goods) a minimal impact on logistics.

The goals of this article are to build on and extend the contributions of Peterson et al. (1997). In the following discussion, I will explore the reasons why it has been so difficult to forecast the impact of new communication technologies on retailing, discuss the ways in which existing retailers might respond to this new technology, consider how the **Internet** and electronic shopping will continue to evolve, and suggest how managers might plan for the future.

WHAT'S WRONG WITH OUR FORECASTING?

For the past 30 years, futurists have been predicting the advent of electronic shopping. They speculated that consumers would be able to shop for products from home and pay for the merchandise electronically, then have it delivered to their homes from a central distribution facility or pick it up at a drive-through depot. As Peterson et al. (1997) note, the researchers' predictions were surprisingly accurate, anticipating the launch of services like Peapod, Shoppers Advantage, Streamline, and Groceries-To-Go. However, they were overly optimistic about when this would happen-in some cases, missing the mark by 20 years. Even today, U.S. retail sales through electronic channels are unimpressive. In 1996, consumer sales over the **Internet** were just $520 million-less than 0.03 percent of the $2.2 trillion total (Burke 1998).

Why has it been so difficult to forecast the growth of electronic commerce? Peterson et al. (1997) contend that the new computer and communication technologies that will enable virtual shopping are market discontinuities, so it is impossible to use historical trends to forecast how they will affect the retailing industry. They note that "it is not possible to predict precisely the specific impacts of the **Internet**, especially given the velocity with which Internetrelated changes are occurring and the increasingly assertive and unpredictable behavior of consumers" (p. 330).Yet, companies need some estimate of what the future holds to develop business plans and allocate resources productively. As Confucius once said, "If a man gives no thought about what is distant, he will find sorrow near at hand."

A major part of the forecasting problem is that multiple constituencies are involved-consumers, manufacturers, retailers, and technology firms-and each has a separate agenda. One needs to examine the motivations and constraints of each group when building forecasts.

Consumers

The changing demographic profile of the U.S. population, including the expanding number of dual-income and single-parent households and the increase in the average age of the household head, has created an opportunity for home shopping. A growing number of people are time constrained by obligations to work and family (Schor 1989). Individuals who are sick, disabled, or elderly may not have the ability to shop. And many people do not enjoy shopping, especially the routine chore of grocery shopping. "Some studies show that almost two thirds of people

dislike the visit to the supermarket-roughly the same proportion as claim an aversion to the dentist" (Cope 1996:66). The concept of home shopping is appealing because of its potential to deliver greater convenience, more and better product information, and lower prices (Burke 1998).

Unfortunately, most existing services have failed to deliver these benefits. As Quelch and Takeuchi (1981) noted, consumers will be reluctant to shop in nonstore channels as long as the experience is inferior to the conventional store. Home shopping services typically do not provide the same levels of product information, personal service, entertainment, and social interaction as do physical stores. Consumers also find it difficult to comparison shop and are concerned about reliable product fulfillment and the loss of privacy. While Quelch and Takeuchi identified these problems in 1981, they remain a barrier today.

In a survey of 220 consumers who had shopped on the **Internet**, Jarvenpaa and Todd (1997) uncovered several other factors that may limit the growth of electronic commerce. They discovered that the main impediments to consumer acceptance of **Internet** shopping were not the frequently mentioned technical issues of network security and bandwidth. Instead, consumers complained that the Web was hard to navigate, that it was difficult to find specific items, and that the offerings of individual sites were too limited and not price competitive. Shoppers were generally disappointed by the customer service and expressed a preference for locally run stores and familiar merchants to the unknown retailers on the **Internet**.

Retailers

Existing retailers have also been reluctant to support electronic shopping. Building and maintaining a Web site requires a significant investment of time and money with an uncertain return on investment. If retailers post their prices on the **Internet**, customers and competitors have easy access to this information, increasing market efficiency and reducing margins. Electronic sales incur shipping and handling costs and have higher return rates, approaching 25 percent for television home shopping channels. As a consequence, many retailers have found that it is more expensive for them to sell to their customers electronically than through the conventional store.

Consider the case of Shopping Alternatives1 (Koehn, Burke, and Verter 1996), a company based in Bethesda, Maryland, that provided home shopping services to a number of supermarket chains in the United States, including Cub Foods (Atlanta), Byerly's (Minnesota), Shaws (Massachusetts), as well as several Wal-Mart supercenters. When a customer placed an electronic order with Shopping Alternatives, the order was (1) transmitted to the closest retailer, (2) picked and packed by store employees, and (3) delivered by a courier service to the customer's home. Shopping Alternatives charged a $9 delivery fee to the customer and an $8 fee to the supermarket to provide this service. It cost the retailer approximately $5 to collect, scan, bag, and store the selected items. Therefore, the retailer incurred an additional $13 of expense to serve the home shopper.

On the positive side, delivery orders generated approximately 6 percent higher gross margins than in-store purchases, as customers were less likely to "cherry pick" sale items.2 On an average order of $100, this provided an additional $6 of margin. The retailer's profits would also be higher if the electronic store attracted new customers rather than simply converting existing customers. This was more likely in smaller markets, where Shopping Alternatives was the only delivery service in town, than in major cities like Atlanta and Boston, where several retailers offered competing home shopping services (Cleland 1997).

Whereas electronic shopping may be threatening to existing retailers who have substantial investments in physical stores, it offers several benefits to a new breed of electronic merchant who designs his or her business from the ground up to maximize operational efficiency. By having one centralized warehouse instead of many individual stores, the merchant can carry less inventory, offer a greater variety of merchandise, and serve a larger geographic region. The warehouse can be located in an industrial area with low real estate costs. There is no need for wide aisles lined with expensive fixtures and multiple checkout counters. Because there is a time delay between when an order is placed and when it is delivered, the electronic retailer can handle slow-moving items more efficiently-in some cases, having them shipped directly from manufacturers. A study by Cap Gemini Consulting indicated that by eliminating the physical store and the associated operating costs, **Internet** retailers can triple profit margins (or cut prices by 12%) compared to the conventional retailer (see Cope 1996, fig. 1).

The **Internet** retailer is also in an excellent position to leverage customer information. Products, promotions, and advertising can be targeted much more efficiently than through conventional media. In the past, advertisers targeted customer segments by selecting media with matching demographic profiles. This resulted in two sources of error: (1) aggregate statistics on audience demographics hide considerable individual heterogeneity and (2)

demographics are often a poor predictor of brand preference. Using the appropriate software, **Internet**-based retailers can communicate customized messages and promotions to individuals with the desired interests and shopping patterns (see, e.g., Williamson 1997). The **Internet** also provides retailers with instant control of **marketing** variables. Merchants can boost sales and profits by dynamically adjusting the mix of products, prices, and promotions in response to consumer demand (cf. Phillips, Donoho, Keep, Mayberry, McCann, Shapiro, and Smith 1997).

Manufacturers

Manufacturers are another important constituency in the development of **Internet**-based electronic commerce. In recent years, manufacturers have expressed concern that the balance of channel power may be shifting toward retailers, who have grown larger through consolidation and have become more sophisticated in their analysis of point-of-sale **data**. Manufacturers are often asked to create customized versions of products for specific chains and to pay substantial trade allowances to gain shelf space for new products and receive promotional and merchandising support for existing brands. At the same time, many retail "partners" have introduced private label products that compete directly with the national brands. This creates a powerful motivation for manufacturers to "go direct" to consumers.

One manufacturer offered the following scenario:

Let's assume that a household buys three rolls of our paper towels each week. We could offer to sell that household 156 rolls, a year's supply, at a sizable discount. We would then deliver the product on a weekly basis and take back any unused merchandise. This simplifies life for the customer, who no longer needs to worry about buying paper towels. From our perspective, the household is taken "out of the market" for a year. There is no need to advertise or promote. And by having an accurate estimate of consumer demand, we can smooth out our production schedule.

As noted earlier, the **Internet** provides an inexpensive and targeted means for reaching consumers. By leveraging interactive technology, manufacturers can build one-toone relationships with their customers, tailoring the **marketing** mix to individual preferences (Pine, Peppers, and Rogers 1995). And, as noted earlier, electronic **marketing** provides quick feedback on the effectiveness of **marketing** activities, enabling **"performance-based marketing"** (Peterson 1997). The quality of a manager's decisions concerning product assortment, pricing, advertising, and promotion can be directly measured in terms of revenues and profitability.

Despite the potential benefits, there are several reasons why manufacturers have hesitated to sell their products electronically. As Quelch and Takeuchi (1981) noted, manufacturers may not engage in direct **marketing** to avoid retaliation from the traditional retailers who account for most of their sales. Most manufacturers do not have sufficiently large product lines to satisfy consumers' needs for selection and variety, so they would need to cooperate with a channel intermediary in any case. And some products do not lend themselves to electronic purchase. These include heavy, bulky, and fragile items; low-margin items; products requiring in-store demonstration; and products that are needed urgently.

Both manufacturers and retailers have expressed concern that their merchandising options are limited on the **Internet**. Most existing shopping interfaces allow consumers to go directly to specific product categories and make their selections, avoiding the **marketing** distractions of the conventional store. As a consequence, shoppers may make fewer impulse purchases. The computer typically displays lists of brand names and model numbers with information on features, flavors, sizes, and prices. Consumers do not see the familiar product packages, so the brand equity communicated by the package shapes, colors, and logos is lost. Some shopping systems allow customers to sort products by price and ingredients, which draws their attention away from the brand names and tends to commoditize the purchase.

Technology Firms

Due to the diligent efforts of the computer industry over the past 15 years, many of the technical barriers to electronic retailing identified by Quelch and Takeuchi (1981) have been overcome. American homes now hold more than 40 million PCs. Computers are less expensive and easier to use. They can display multimedia information and threedimensional graphics. Search engines are readily available to help find desired information. While existing shopping interfaces do not (and may never be able to) provide the familiar and engaging shopping experiences of the conventional store, computer and communications technologies will continue to improve.

Some of the most promising forecasts of the future growth of the **Internet** and electronic commerce have come from high-technology firms. These companies often have a good grasp of how the technology will evolve and understand the engineering hurdles that must be overcome. However, managers must be cautious not to confuse technology forecasts of what is scientifically possible with market forecasts of consumer demand and product adoption. Technology is just a platform for change. How firms use the technology to create value for customers is what will determine the size and growth rate of the market.

Managers should also question the motivations behind many of these forecasts. Brody (1991) noted, "Rosy predictions often originate with people who have a financial stake in a new technology" (p. 40). Entrepreneurs in search of capital are inclined to overstate the future opportunity and underestimate the technical problems to gain support. In fact, many high-tech companies have "evangelists" on staff to promote their new projects. Market analysts and the media, always on the lookout for a hot story to boost their own businesses, are quick to pick up and repeat these overblown forecasts.

Environment

Finally, one must consider the regulatory environment. While the U.S. government has been generally supportive of electronic commerce, there are still many issues that need to be resolved, including issues concerning on-line privacy, **marketing** to children, unsolicited e-mail, and taxation. For example, several states in the United States have proposed that local **Internet** service providers should be considered "agents" of electronic retailers; therefore, all commerce over the **Internet** should be treated as "local" with regard to taxation. This would raise the price of on-line merchandise by 5 to 10 percent in most states, slowing the growth of electronic sales.

This review suggests that in the short run, many factors will inhibit the growth of **Internet**-based electronic commerce. Consumers are frustrated by poorly implemented shopping interfaces, limited selections of on-line merchandise, and high prices. Retailers are constrained by the high overhead costs of existing facilities, high delivery charges and return rates, and the fear of lost impulse sales. Manufacturers feel that their hands are tied given their current dependence on conventional retailers. However, in the long run, there are tremendous opportunities for electronic commerce. Consumers are demanding greater convenience and economy and are acquiring the skills and technology necessary to shop electronically. Retailers and manufacturers are searching for new ways to expand their markets and build customer loyalty, and some have developed profitable business models for on-line commerce. This suggests that, as with many revolutionary technologies (e.g., color television, the refrigerator, and the VCR), we will see a long introduction period followed by rapid growth and eventually high levels of penetration (cf. Bayus 1993). Of course, this depends on the evolution of existing retail channels and communications technologies. These issues are explored in the next section.

HOW WILL CONVENTIONAL RETAILING EVOLVE?

The factors that drive total retail sales differ markedly from those that determine the share of any particular shopping medium (such as the **Internet**, television shopping channels, kiosks, catalogs, toll-free telephone numbers, and conventional retail stores; cf. Barnett 1988). Total retail sales are a function of the number of consumers, consumers' needs and habits, economic conditions, and the rate of product consumption and replacement. Demand for **Internet**-based shopping depends, instead, on how well this new format compares on price and performance to other, substitute retail formats. As Peterson et al. (1997) note, "There is no intuitive reason why the **Internet**, or any service based thereon, will in and of itself cause consumers to spend more. Rather, use of the **Internet** in **marketing** to consumers will more likely result in a redistribution of revenues among channels or among members within a channel" (p. 331).

To predict the percentage of total retail sales that will be captured by the **Internet**, it is necessary to identify the relative advantages of **Internet**-based **marketing** over conventional retailing both now and in the future. Several unique characteristics of the **Internet** were highlighted here and in Peterson et al. (1997). These include inexpensive, instantaneous, and global communication with customers; the ability to know about, interact with, and market to customers as individuals; and, for information-based products and services, instantaneous distribution. These attributes translate into a number of possible benefits for consumers, including greater shopping convenience, more current and complete product information, custom-tailored products and services, and potentially lower prices. To the extent that existing retailers can duplicate these advantages or leverage their own unique characteristics, this could slow or even reverse the growth of electronic commerce. Brody (1991) noted, "Technological forecasts tend to go astray partly because they underestimate the possibilities for advances in existing technology" (p. 41). He quotes Robert Lucky, executive director for communications science research at Bell Labs: "People forget that there are always an army of people working on improving an old technology and only

a handful of people working on a new technology" (Brody 1991:42). In the following discussion, I review several ways in which conventional retailers can enhance their future prospects by building on their strengths and overcoming potential weaknesses relative to **Internet**-based shopping.

Convenience

In a survey of 220 consumers from Austin, Texas, Jarvenpaa and Todd (1997) found that convenience was the single most salient benefit of **Internet** shopping. Similarly, Burke (1998), who conducted six focus groups in the eastern, midwestern, and western regions of the United States, discovered that convenience was the most frequently cited reason for wanting to shop electronically. Summarizing the comments of participants, Burke reported:

Shoppers appreciated the ability to visit the virtual store at any hour, and to perform other activities, like exercise, cooking, and child care, while shopping. They could shop even when transportation was unavailable, and avoid crowded parking lots or bad weather. The [home shopping system] eliminated drive time and checkout time, and allowed shoppers access to distant stores. The weight and bulk of packages no longer constrained the size of their orders.

Conventional retailers can address their potential vulnerability on this dimension by making shopping more convenient for their increasingly time-pressed customers. Some stores are staying open 24 hours a day. Others are providing free and plentiful parking, expanding their selections of merchandise to allow one-stop shopping, organizing products according to customers' needs and lifestyles, and locating frequently purchased items in the front of the store. Progressive food retailers are using "shopping basket analysis" to identify which items are purchased together and are grouping complementary items into "meal solutions" at the point of purchase. Ukrops, a chain in Richmond, Virginia, reports that its What's for Dinner Tonight program has achieved sales increases of 50 to 600 percent (Higgins 1997). Many retailers offer to load heavy and bulky purchases into customers' vehicles, and a few provide drive-through windows so customers can shop from their cars.

Consumers often complain about having to wait in long checkout lines. Some retailers accept this as a fact of life. They assume that an employee must be at the checkout counter to total up the merchandise, handle payment and coupons, and bag the merchandise. They see long lines as an opportunity to sell high-profit impulse purchase items like magazines and candy. Other merchants are looking for ways to speed up the process by expanding the number of checkout lanes, opening special lanes for small orders, and using UPC laser scanners to quickly total items. Several new technologies may eliminate lines altogether. ICL Retail Systems has developed a "supertag" system that can instantly scan tagged items in a shopping basket (Cope 1996). UPC radio tags send signals to the **register**, which allows items to be totaled as the consumer walks through the checkout lane. Companies are also experimenting with systems where consumers self-scan their purchases.

Many retailers have offered, and will continue to offer, the convenience of home shopping through media other than the **Internet**. These include toll-free telephone numbers, touchpad- or voice-based ordering systems, catalogs, television shopping channels, electronic kiosks, automated teller machines (ATMs), video conferencing, and fax machines. Each approach has unique advantages and disadvantages (Phillips et al. 1997). For the moment, the telephone, television, catalog, and, to a lesser extent, the fax machine dominate computer shopping in terms of low acquisition cost, high household penetration, and superior ease of use. Electronic kiosks and ATMs provide customers with state-of-the-art technology in public locations and can dispense cash and printed receipts. From the customer's perspective, the most convenient technology is the one that best matches his or her shopping and media habits. In a project with a Boston-area bank, Burke (1998) found that about one-third of the bank's patrons preferred to use ATMs for most of their transactions, one-third used bank tellers for some services and ATMs for others, and onethird were "branch wed," refusing to use electronic media. To accommodate personal preferences, the bank allowed customers to conduct transactions by accessing its customer and product **databases** through either a human teller (using face-to-face interaction or a video-conferencing kiosk) or the computer (using an ATM, the **Internet**, or touch-tone telephone).

Product Information

In recent years, mass merchandisers like Wal-Mart and Target, supercenters like Meijer, and "category killers" like Home Depot, Barnes & Noble Booksellers, and Toys 'R Us have changed the landscape of retailing. By building large stores in inexpensive locations and using sophisticated information systems, bulk purchasing, centralized inventory, and continuous replenishment to cut costs, these chains can offer shoppers extensive

selections of products at low prices. Yet, these are the same advantages that are driving the expansion of **Internet**-based retailers like amazon.com, now with 2.5 million book titles, and CUC International's netMarket, an on-line shopping club. In head-to-head battles with conventional retailers, the **Internet** merchants would seem to have the advantage. They are unencumbered by the overhead of physical stores, have larger trading areas, and can offer an almost unlimited selection of merchandise.

Conventional retailers can still gain the upper hand by providing more complete and relevant product information. Most existing **Internet**-based shopping systems are designed to replace expensive human labor with computerized assistants. These software agents can provide copious amounts of product information through hierarchical lists of product categories, brands, and models; product photographs and feature descriptions; filtering mechanisms; and search engines. However, even with this flexibility, it is difficult to create one shopping interface that addresses everyone's needs, especially when consumers have widely varying levels of prior knowledge and must select among several complex products, as is the case for products like insurance, financial services, and travel (Burke 1998). **Internet** shopping systems typically do not have a human agent to clarify or interpret product information, respond to specific questions (except as anticipated by a "frequently asked questions" list), or discuss how to solve customers' problems. "Chat windows" and e-mail provide only limited opportunities for interaction. To gain an advantage on this dimension, conventional retailers will need to do a better job of merchandising their stores and training their salespeople, transforming them from clerks who just ring up orders into sales professionals and product specialists who can talk intelligently about the stores' products and services.

Customized Products and Services

Most retailers design their stores, product offerings, promotions, and services for the masses. They treat all shoppers alike, despite the fact that customers differ in terms of their needs and wants and the volume and profitability of their purchases. Retailers' actions are driven by several assumptions: (1) there are too many different customers or customer segments to tailor a store's offerings; (2) managers do not have the time, knowledge, or technology to analyze individual-level **data**; and (3) there is insufficient return on investment (or an uncertain return on investment) for customizing **marketing** programs for individuals. As noted earlier, this puts retailers at a distinct disadvantage relative to those electronic retailers who can adjust their **marketing** programs in real time to match the needs of individual shoppers.

Advances in **database marketing** are helping to overcome these problems. By setting up frequent shopper programs and linking customer profiles to UPC scanner **data**, retailers can track the shopping patterns, sales volume, and profitability of their patrons. They can mail out customer-specific fliers and promotions. When shoppers enter the store and swipe their frequent shopper cards through a reader, a computer can print out customized shopping lists complete with recipes, coupons, and suggestions for replenishment purchases. In-store kiosks and electronic displays can highlight products that meet customers' requirements. Service personnel can access customer profiles at point-of-sale terminals and make suggestions based on a knowledge of past purchases, household characteristics, and preferences.

Several forward-thinking companies are already leveraging information technology to build closer relationships with their customers. Mitchell's Clothing in Westport, Connecticut, tracks the clothing preferences, work environments, and budgets of its customers. Salespeople can use this information to alert customers when new merchandise arrives in the appropriate sizes, styles, and price ranges and to match new clothing items with prior purchases. British Airways uses System ESS to track the preferences of its frequent flyers. This allows flight attendants to greet passengers with their favorite magazines, beverages, and meals and reduces the costs of inventory. Merv Griffin's Resorts, a casino in Atlantic City, New Jersey, targets events and promotions to individual customers based on their spending patterns and game preferences (Sviokla and Langbert 1992). And GTE Telesystems developed a terminal for customer service people that provides instant feedback on customer characteristics. It displays calendar pages to indicate customer longevity, sticks of dynamite to show past service problems, and moneybags to indicate sales volume.

Enhancing the Shopping Experience

Many people have suggested that the best way for retailers to respond to the threat of **Internet**-based shopping is to improve the in-store shopping experience. Cope (1996) argued, "[Traditional retailers] will need to compete on added value and quality by utilizing the advantages the virtual retailers cannot match. This will mean higher levels of service, more highly trained staff and improved stores that are entertaining, fun and a pleasure to visit" (p. 19). Retailers have tried several approaches to adding entertainment, ambience, and social interaction to the shopping experience. Ogden Corporation created American Wilderness, a nature preserve located in a shopping mall, with

160 wild animals, a restaurant, and a shopping boutique (Bird 1997). Land Rover dealerships built offroad test tracks so customers can experience the thrill of driving sport utility vehicles (Fournier 1996). Athletic shoe stores have installed basketball courts and rockclimbing walls. Some grocery stores have scheduled "singles nights," with contemporary music, name tags, food samples, and flattering lighting to emphasize the social aspects of shopping (Saulny 1997).

These are only a few of the ways in which conventional retailers might sustain and grow their businesses in the face of increased competition from **Internet**-based shopping. As a starting point, retailers can improve shopping convenience, emphasize knowledgeable and personalized service, and enhance the entertainment value and ambience of their stores. Creative retailers will go far beyond this list of suggestions, developing both high-tech and high-touch selling approaches. They can use **database** systems to track major life events (e.g., births, deaths, marriage, graduations, moves) to market products to customers at the precise times when customers' needs are most salient. They can employ infrared and video-tracking systems to monitor shoppers' traffic patterns and reset store layouts and displays to maximize impact. They can install electronic shelf tags and dynamically alter the prices of merchandise to manage demand. Retailers can satisfy the heterogeneous needs of customers by carrying just a few basic products, which they customize at the point of purchase (e.g., by adding components to computers, ingredients to food, colors and patterns to clothing items). They can work with members of the local community (hospitals, government, civic groups) to create products and services that are tailored to regional needs and interests. The opportunities for enhancing conventional retailing are limited only by one's imagination. Of course, the same is true for virtual shopping.

HOW WILL **INTERNET**-BASED **MARKETING** EVOLVE?

Is the **Internet** a "phenomenal **marketing** opportunity," as Hoffman and Novak (1996) suggested, or "just another communication improvement, following language, the printing press, newspapers, mail, telegraph, telephone, TV, and fax, and to some extent the automobile," as Lehmann (1997:131) contended? Both statements are correct. The **Internet** provides merchants with several potential advantages over conventional media, as discussed earlier. However, most existing Web sites have not capitalized on these advantages, instead taking a very traditional approach to retailing (Jarvenpaa and Todd 1997). James Utterback, a professor of engineering at MIT, noted, "New things are viewed in the clothing of the old." The problem with this, he argued, is that "old things are optimized for what they do already" (Brody 1991:43).

As companies move forward with electronic commerce, we are likely to see the greatest success stories in cases where firms are able to leverage the unique characteristics of the medium to sell their products and services and where the profiles of their target customers match those of **Internet** users (see Hoffman, Kalsbeek, and Novak 1996 for detailed demographic information). Peterson et al. (1997) hypothesize that consumers are more likely to search for product information, make a brand selection, and acquire the product or service on the **Internet** when the value proposition is intangible or informational (see, e.g., a discussion of the music industry in Reilly 1997). For physical products, consumers are most likely to search for product information and make purchases using the **Internet** when the products are expensive, infrequently purchased, and can be easily evaluated using on-line information. For these products, the potential economic savings from shopping on the **Internet** more than offset the time required to electronically search for the best product and price.

Dell Computer Company and Gateway 2000, Inc., two of the largest direct marketers of personal computers, are both excellent examples of how to capitalize on the unique benefits of **Internet** shopping, and both have seen recent, dramatic growth in on-line sales. These firms use the **Internet** to communicate detailed, up-to-date information on their fast-changing line of products to a computer-literate audience of customers. Shoppers can custom design a computer by selecting options from an on-screen form and see the immediate impact on price. When the shopper is satisfied with the configuration and places an order, the company records delivery and billing information, builds the computer to specification, and ships the computer to the customer's home. This ensures that the customer will receive the latest technology and protects the manufacturer from being saddled with obsolete inventory.

For **Internet**-based shopping to extend beyond these applications and achieve mass market penetration, it must be made substantially easier to use. At a minimum, customers must be able to connect to the **Internet** in a simple and reliable way. In a field trial of residential **Internet** service, Kraut, Scherlis, Mukhopadhyay, Manning, and Kiesler (1996) reported, "Even with help and our simplified procedure, HomeNet participants had trouble connecting to the **Internet** for a variety of reasons, including bad telephone lines and busy signals, passwords forgotten, misunderstood user interfaces, depressed shift-lock keys on keyboards, erased login scripts, and buggy software" (p. 57). Franzke and McClard (1996) reported similar frustrations in their study of 50 **Internet** households

from Winona, Minnesota.

In addition, the customer interface must be dramatically improved. The original World Wide Web interface, the NCSA Mosaic browser, was introduced in 1992 and was relatively easy to use. It displayed primarily textual HTML documents on the user's screen. By clicking on highlighted words (called hypertext links), the user could navigate through a (typically hierarchical) set of documents. The **Internet** of today is much more complex. Browsers can display text, graphics, animation, and video. Users navigate with buttons, frames, pull-down menus, image maps, search engines, Java applets, ActiveX controls, and so on. As software companies battle for technological and market dominance of the **Internet**, even more features and complexity are added. Every electronic commerce site has a different appearance, a different set of product categories, a different way to search for product and price information, and a different procedure for placing an order. Needless to say, this is confusing and frustrating for the average consumer.

We can learn from the success of the fax machine, whose growth eclipsed e-mail in the 1980s. Negroponte (1995) noted that fax was inferior to e-mail, lacking the computer readability that allows electronic storage, retrieval, and manipulation. However, fax machines were standardized and very easy to use, thus making them accessible to a broad segment of the population. In the same way that the Apple Macintosh and Microsoft Windows user interface made personal computers useful by providing a consistent and familiar means to interact with the computer, consumers need a consistent and familiar means to shop electronically. Indiana University's Customer Interface Lab is currently studying how consumers learn and interact with a variety of new electronic shopping interfaces, including text-based interfaces, two- and threedimensional graphical displays, stereo imaging, touchscreen kiosks, video conferencing, and voice recognition.

Manufacturers and retailers must also search for ways to reduce the perceived risk of on-line purchasing. Quelch and Takeuchi (1981) noted that direct marketers have been able to broaden the range of products that consumers are willing to purchase by offering free trials, money-back guarantees, and toll-free complaint hotlines. Electronic merchants have several other options available, including using trained and licensed raters to personally inspect and evaluate products; word-of-mouth endorsements from other, similar customers; three-dimensional product simulations so shoppers can virtually experience new products; and specially designated "trial stores" where people can see and try the latest goods and services.

FORECASTING REVISITED: FROM PREDICTION TO MANAGEMENT

Niels Bohr, the Nobel Prize-winning physicist, once said, "Forecasting is always difficult, and it's especially difficult when trying to forecast the future." This is certainly true of electronic commerce. Computer and communication technologies continue to evolve. Consumers, retailers, and manufacturers each have unique motivations and constraints with respect to electronic shopping. Yet, their plans and actions are interdependent. The success of **Internet**-based shopping programs depends on how well the programs are executed and promoted and the quantity and quality of competitive response. Even after a careful analysis of current conditions and trends, it is hard to predict the future growth of virtual shopping without making many questionable assumptions.

This leaves managers with two options. The first is to plan contingently. Firms can pursue their current **marketing** practices while learning about and monitoring the growth of **Internet**-based commerce. When the technology reaches a critical level of acceptance, stability, and productivity, they can jump onto the **Internet** bandwagon. This is the approach that most manufacturers and retailers have taken up until now and is a primary reason for the slow growth of electronic commerce. Gloomy predictions have become self-fulfilling prophecies.

The alternative approach is for managers to take an active role in defining and managing the future. They can work to establish standards for commerce over the **Internet**, partner with high-tech firms to create technology that is usable and useful, and develop distribution and payment systems that complement **Internet**-based **marketing**. They can treat each of the limitations of electronic shopping discussed earlier in this article as an obstacle that needs to be overcome to gain acceptance. By challenging the assumptions of established players, these firms open the door to creating new industries.

Which assumptions should be challenged? There is a long list of candidates: "The catalog is the best metaphor for electronic shopping," "**Internet** retailers should compete on variety and price," "Customers will not buy perishable products electronically," "Virtual shopping is less entertaining than physical shopping," "Customers must search for information and make decisions before buying," "People will not make impulse purchases on-line," and so on. Through experimentation, manufacturers and retailers can learn which of these assumptions are most tenuous and

which new technologies are most promising. Rather than embracing new approaches on blind faith (with potentially ruinous consequences) or conducting large-scale tests that may turn into public embarrassments, firms can maximize their learning by testing several different approaches in small-scale experiments. By evaluating revolutionary ideas through an iterative process of prototyping, testing, and refinement, companies can successfully manage the risk of pioneering the future.

[Footnote]
NOTES
1. In 1997, Shopping Alternatives was acquired by Streamline, a home shopping service based in Westwood, Massachusetts. Unlike most existing grocery shopping services (such as Shopping Alternatives, Shoppers Express, and Peapod), which handled fulfillment from a conventional retail store, Streamline delivered orders from a centralized warehouse. While the construction of a dedicated fulfillment center significantly increased the up-front capital investment, it reduced the long-term costs of operation. The interested reader should consult Cope (1996) and Burke (1998) for more detailed discussions of the electronic grocery shopping industry.
2. Shopping Alternatives did not provide prices in its electronic catalogs. One could argue that when prices are included (perhaps as a result of competitive pressure), gross margins will fall, both because consumers are able to comparison shop on price and because the service may attract more price-sensitive shoppers. In fact, people who shop with a text-based shopping interface may become more price sensitive than those who shop in the conventional store due to the increased visual prominence of the price information (Burke, Harlam, Kahn, and Lodish 1992).

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